Nearly 360,000 energy efficiency workers have lost their jobs since March as a direct result of the COVID-19 pandemic. The vast majority of these are construction jobs, and the damage is cascading throughout the industry to manufacturing (windows, insulation, heating and cooling equipment, etc.) and other fields. Expanded tax incentives for energy efficiency improvements in homes and buildings are among the best tools we have for stimulating economic activity that will protect and create these jobs. Not only will strengthened incentives put contractors back to work installing insulation, windows, air conditioners, furnaces and other components, they will drive demand for manufacturing of those products in factories across the country. The three incentives discussed below are all slated to expire on Dec. 31, 2020, a setback that would deliver yet another blow to the industry. We are urging Congress not to let that happen, and to instead strengthen the incentives with multi-year extensions. The following tax proposals are broadly supported by businesses and advocacy organizations to promote meaningful growth in the efficiency economy:

**STRENGTHEN AND MODERNIZE THE SEC. 25C NONBUSINESS ENERGY PROPERTY CREDIT**

The existing 25C incentive encourages homeowner efficiency improvements with a 10 percent tax credit up to $500 (lifetime cap) for the purchase of energy-efficient equipment or upgrades such as installing insulation and duct work or replacing heating and air conditioning equipment. In its current form, the incentive is not strong enough to stimulate significant demand. We propose to extend and expand this credit in the following ways:

- Extend the 25C credit through at least 2025 under the structure outlined in the broadly supported, bipartisan Home Energy Savings Act (S.2588/H.R.4506).
- For the first two years of enactment, strengthen the incentive by doubling the value of the incentive in the Home Energy Savings Act, from a maximum cap of $1,200 to a maximum of $2,400 (including doubling the maximum incentive to up to 30% of eligible expenses and doubling incentive caps for individual product categories contained in the bill). To see the product category caps outlined in the bill and other details, read a section-by-section of the bill here.

A similar expansion to residential energy credits including 25C under the American Recovery and Reinvestment Act (ARRA) significantly increased the number of claims to nearly 7 million per year in 2009 and 2010, putting contractors back to work and driving billions of dollars in economic activity. The incentive has the added benefit of significantly reducing homeowner energy costs and harmful emissions.

**STRENGTHEN AND MODERNIZE THE SEC. 179D ENERGY EFFICIENT COMMERCIAL BUILDING TAX DEDUCTION**

The 179D incentive offers a deduction of up to $1.80 per square foot for efficiency improvements to lighting, heating, cooling, and the building envelope. We propose to strengthen the incentive in the following ways:

- Extend the incentive as is through 2023 (up to $1.80 per square foot for improvements achieving savings at least 50 percent more than the minimum requirements under the 2007 version of ASHRAE Standard 90.1).
- Add an alternative pathway for a higher credit of $3.00 per square foot for improvements that exceed a new reference standard that is automatically updated over time. The new reference standard would be updated every few years to reflect the most recent ASHRAE 90.1 commercial building energy code, ensuring that the efficiency performance required to receive the credit keeps pace with efficiency technology. Specifically, the update would be implemented two years after the Department of Energy issues a determination that the latest code improves overall efficiency, as
called for in statute. To be eligible for the $3.00 deduction, buildings must achieve the following savings:
  - For retrofits of existing buildings built before 2007, 20% greater than the minimum requirements of the applicable reference standard.
  - For new construction or buildings built in 2007 or later, 30% greater than the minimum requirements of the applicable reference standard.
  - Partial credits for lighting, heating and cooling, and envelope work would be maintained.
- Expand the incentive such that nonprofit entities and tribal governments can access it.

A 2017 Regional Economic Models, Inc. study found that strengthening 179D to $3 per square foot with a long-term extension would create almost 77,000 jobs per year while contributing almost $7.4 billion annually to the GDP.

**STRENGTHEN AND MODERNIZE THE SEC. 45L ENERGY EFFICIENT HOME CREDIT**

The 45L credit, also slated to expire at the end of 2020, offers homebuilders a tax credit of up to $2,000 for building a home that meets a certain efficiency performance. To help encourage new construction to meet housing demand with lower energy costs, we propose to expand this incentive through 2022 as outlined in the bipartisan New Home Energy Efficiency Act (S.2595/ H.R.4646), increasing the incentive to $2,500 and gradually modernizing the energy performance required. Additionally, we propose to phase out eligibility based on the 2006 International Energy Conservation Code (IECC) standard starting in 2023, with eligibility in 2023 and beyond only for homes that meet the updated criteria of at least 15% whole-home energy savings compared to homes built to the 2018 International Energy Conservation Code (IECC) standard.